

trialbalance
The official newsletter of NZ CA Limited

IN THIS ISSUE

Don't be tempted to join 'the race to the bottom'

PAYE – It was never your money

Key changes to KiwiSaver

Making it right

Business partner disputes: shareholder buyouts

MAINTAIN THE INTEGRITY OF A FAMILY TRUST

Managing a family trust requires a clear distinction between your role as a trustee and your status as a beneficiary.

To maintain the trust's integrity, follow these essential practices:

Governance and independence: Trustees must manage the trust as a separate legal entity. Decisions should generally be unanimous and must be formally recorded in signed minutes.

Separation of funds: It's critical to keep trust assets strictly separate from personal finances. Even if you're a beneficiary, you can't access funds at will.

Documenting distributions: When withdrawing funds, the minutes must specify the nature of the payment. Common classifications include:

- a distribution of trust income
- a distribution of trust capital
- a reduction of debt owed to the beneficiary or the creation of an interest free loan.

Fiduciary duty: Before making any distribution, trustees must demonstrate they have considered the interests of all beneficiaries. While you must record that this consideration has occurred, you're not required to document your specific reasoning.

The bottom line: While beneficiaries can certainly receive income from a trust, they must always act through the formal authority of the trustees to ensure the entity remains compliant and protected.

> "It's critical to keep trust assets strictly separate from personal finances."

TAX CALENDAR

30 June 2026
Last day to apply for annual FBT returns

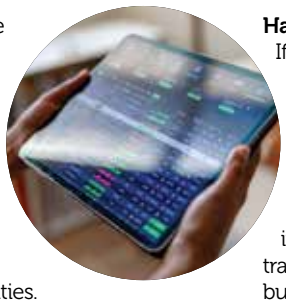
28 July 2026
3rd instalment 2026 Provisional Tax (June balance date)

28 August 2026
1st instalment 2027 provisional tax (March balance date)

NEW TAX RULES ON CRYPTO TRADING

From 1 April 2026, the "off the radar" era of cryptocurrency ends with the Crypto-Asset Reporting Framework (CARF).

Local and global exchanges must now report your transaction data directly to Inland Revenue, who will share this with international tax authorities.



Taxing your profits

In New Zealand, crypto gains (and losses) are generally treated as taxable income/loss, not tax-free capital gains. Because crypto doesn't provide a "yield" (like rent), IRD assumes it was bought with the dominant purpose of resale. Consequently, most traders are liable for income tax on realised gains at their personal marginal rate.

Handling losses

If your crypto activity is taxable, your losses are generally deductible.

- Offsetting income: Realised losses can often reduce your total taxable income, potentially leading to a tax refund.
- The realisation rule: You can only claim a loss once you actually sell or swap the asset – a "dip" in portfolio value doesn't count unless you are transacting to such a high level you are actually in business as a "trader", and can then treat the crypto as trading stock that is now worth less than costs.
- Evidence: Keep meticulous records, as IRD will scrutinise your original intent for buying.

The "swap" trap

Swapping one coin for another (e.g., Bitcoin for Ethereum) is viewed by IRD as a sale. You may owe tax on that trade even if you haven't converted back to New Zealand dollars.



DON'T BE TEMPTED TO JOIN 'THE RACE TO THE BOTTOM'

In the world of commerce, there's a dangerous trap known as "the race to the bottom".

When a small business tries to win customers solely by being the cheapest option, they aren't just cutting prices – they're often cutting their own throat.

Large corporations have the "economies of scale" necessary to survive on razor-thin margins. As a small business, your overhead per unit is naturally higher. Trying to underprice a giant is a game you aren't built to win.

FEATURE	COMPETING ON PRICE	COMPETING ON VALUE
Profit margins	Thin and fragile	Healthy and re-investable
Customer loyalty	Low (price-driven)	High (relationship-driven)
Marketing focus	Save money	Get better results
Long-term outlook	High risk of burnout	Scalable and sustainable

Why low prices can backfire

- Devalued brand: Constant discounting trains customers to wait for a sale rather than valuing your craft.
- Attracting "price loyalists": These customers leave the second a competitor drops their price.
- Sustainability: Without a healthy margin, you lack the cash flow to reinvest in your team, your equipment, or your growth.

Better ways to win

If you aren't the cheapest, you have to be the best. Here are three powerful levers to pull:

- Hyper-personalised service
  While big-box stores treat customers like numbers, you can treat them like neighbours.
  – The strategy: Use your agility to provide "concierge-level" support. Handwritten notes, remembering a client's preferences, or offering a direct line to the owner creates an emotional bond that a discount code can't touch.
- Specialised expertise
  Don't be a generalist. Be the absolute authority in one specific area.
  – The strategy: If you run a coffee shop, don't just sell "coffee". Sell "sustainably sourced, single-origin beans roasted for low acidity." People will pay a premium for specialised knowledge and curated quality.
- Convenience and speed
  In the modern economy, time is more valuable than money.
  – The strategy: Can you deliver faster? Is your booking process seamless? Do you offer a "done-for-you" service that removes all friction for the customer? If you save a customer an hour of frustration, they won't care if you cost 20 percent more.

The golden rule

Price is what a customer pays; value is what they get. Focus on the "get," and the "pay" becomes secondary.

PAYE – IT WAS NEVER YOUR MONEY

Inland Revenue's recent alert (RA 26/01) clarifies a critical distinction: PAYE is not a standard business bill.

Because these funds are deducted from employee wages, the IRD views them as money held "in trust" for the Crown. Using these funds to cover other business costs is now viewed as misappropriation, not just a late payment.

Escalation to criminal charges

IRD is moving away from just use of money interest and penalties (late payment and shortfall), and toward criminal prosecution for those initially using PAYE as an interest-free loan.

- Prison time: Serious or repeated failures can lead to up to five years in prison.
- Personal liability: Directors can be held personally and criminally responsible for these decisions; the "company" shield will not protect you.

How IRD judges conduct

The department looks for patterns of behaviour rather than one-off accidents:

- Intentional deferral: Choosing to pay rent or suppliers over PAYE.
- Repeated failure: Missing multiple months while the business continues trading.
- Avoidance: Failing to communicate until the IRD initiates enforcement.

What you should do

If cash flow is tight, your window to act is small.

- Prioritise PAYE: This must be the first bill you pay, even if others go late.
- Engage early: Contact the IRD before the due date. They are far more cooperative with proactive businesses.
- Get advice: If you're tempted to use PAYE to survive the month, seek professional help immediately.



VEHICLE RATES 2025-2026 INCOME YEAR

Vehicle type	Tier 1 rate per km	Tier 2 rate per km
Petrol	$1.20 cents	37 cents
Diesel	$1.30 cents	38 cents
Petrol hybrid	90 cents	24 cents
Electric	$1.22 cents	23 cents



KEY CHANGES TO KIWISAVER

Significant updates to KiwiSaver have rolled out over the past year.

Here is what you need to know about your contributions and government "top-ups."

Changes from 1 July 2025

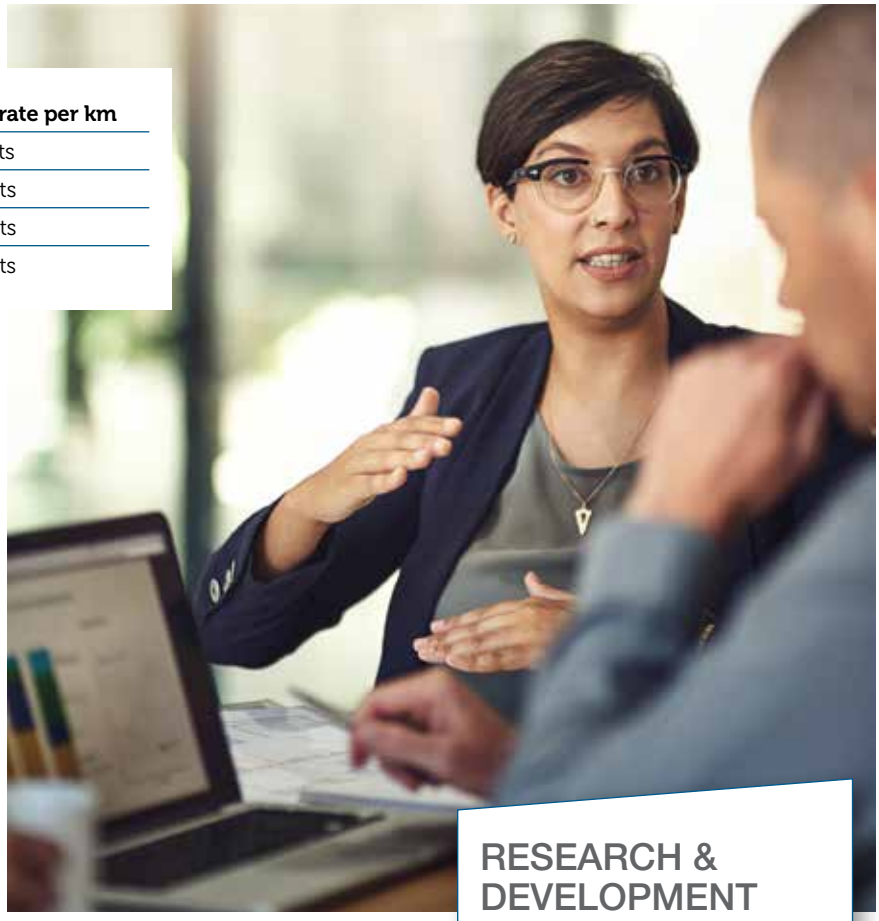
- Government match halved: The annual Government Contribution dropped from a 50% match to a 25% match. The maximum annual payment is now $260.72. To receive this full amount, you must contribute at least $1,042.86 personally by 30 June each year.
- Teens included: 16 and 17-year-olds now qualify for the government's 25% matching contribution.
- High-earner cap: Those earning over $180,000 annually are no longer eligible for the government top-up.

Changes from 1 April 2026

- Default rate increase: The standard contribution rate for both employees and employers has risen from 3% to 3.5%. This applies to all pay received after 1 April.
- Employer matching for teens: Employers must now pay the 3.5% matching contribution for 16 and 17-year-old staff.
- Rate reductions: If the 3.5% rate is unaffordable, you can apply for a Temporary Rate Reduction to stay at 3% for 3–12 months. This is repeatable, but your employer's match will also drop to 3%.

Changes from 1 April 2028

From 1 April 2028, the default contribution rate for both employees and employers will rise again, from 3.5% to 4%.



MAKING IT RIGHT

When you make a business mistake act quickly.

Don't assume it won't be noticed. Avoid excuses; honesty and a straightforward apology demonstrate professionalism and preserve your credibility.

Communicate with care

Explain what happened in clear, simple terms. Transparency builds trust when a client understands the cause and the remedy. However, be mindful of your language – focus on the fact that a standard wasn't met and how you will fix it, rather than making broad legal admissions of negligence that could complicate insurance or indemnity claims.

Offer a meaningful solution

When a mistake occurs, your priority should be to make it right, even if the cost of the remedy is high.

Suggest a practical solution. Listen to the client's needs and be prepared to go the extra mile to ensure they are not disadvantaged by your mistake. Putting things right, even when it hurts the bottom line, is an investment in your integrity and the goodwill of your business.

Close the loop

Once a solution is agreed, confirm it in writing. A brief email outlining the agreed fix "closes the loop" and prevents future misunderstandings about whether the issue was fully resolved.

Fix the process, not just the problem

Identify gaps in your systems or communication. Improve the process rather than blaming personnel.

A mistake is an opportunity to strengthen a relationship. Customers remember the quality of your recovery more than the original problem.

RESEARCH & DEVELOPMENT TAX CREDIT – 30 JUNE DEADLINE ALERT

If your business has a **31 March year-end, 30 June** is the deadline to **submit your RDTI General Approval application.**

Historically, businesses do not apply because they assume the process is too complex or that their activities may not qualify.

In practice, businesses may be carrying out eligible R&D activities and leaving money on the table. Reviewing projects early can help identify whether the incentive may be available and allow enough time to prepare an application before the deadline.

If you are working on a new project, or making improvements to an existing one, and are in the Manufacturing, Engineering, Food & Drink, Software (IT) Healthcare, Pharma or Environmental space, you could be eligible.

If you are unsure whether your activities qualify, it may be worth seeking advice before 30 June.



BUSINESS PARTNER DISPUTES: SHAREHOLDER BUYOUTS

Even the strongest business partnerships can unravel. Without a shareholders' agreement or constitution, a buyout can become a costly and stressful process. Having the right documentation in place early makes a shareholder exit smoother, faster, and far less risky.

All business partners start out with the best of intentions. However, it is important to have the right documentation in place from the beginning of your business relationship, so if the time comes when you want to part ways, the buying and selling of company shares is a smooth process.

The following scenario details a case where two business owners did not have the appropriate documentation in place, and how this impacted the process when one of them wanted to exit the business.

Guy and Steve were friends at university when they decided to go into business together. They had been in business together for over 10 years and although they got along very well in the beginning, as the business grew, they had differing opinions on the company's priorities and future direction. They eventually came to the conclusion that the best course of action was to part ways.

Guy was passionate about the business and did not want to sell it. He wanted to buy Steve out from his share of the company, so he got in touch with his lawyer seeking legal advice to help them with this process.

From the meeting with the lawyer, it soon became apparent that the company did not have a shareholders' agreement or a constitution.

This meant that there was no definite process to follow for one party to sell shares to the other and they would need to start negotiating and drafting agreements now, which would take time, and potentially cost more money than if they had had clear documentation in place from the beginning.

Guy's lawyer recommended they draft a sales and purchase agreement. As part of that process, he also advised that they should arrange for an independent party to value the company so there would be an objective assessment of the purchase price. When Guy suggested the company accountant could do this, Steve disagreed, as he thought their company accountant could be biased towards Guy. They both agreed to have the president of the Law Association appoint an independent accountant to value the company.

Because they had not outlined any restraints of trade upon an exit of a shareholder in a shareholder's agreement at the beginning of their business relationship, Guy was worried that Steve would set up a competing company once he had sold his shares. Guy made sure to ask his lawyer to add a restraint of trade clause into the sale and purchase agreement preventing Steve from setting up his own company and competing against the existing company for three years.

Steve was worried that he had given personal guarantees in favour of the company.

So, they also agreed to include in the sale and purchase agreement that all personal guarantees given by Steve were to be removed and for Guy to take on the future liability and responsibility of the company.

Agreement reached, on the settlement date, Guy paid Steve for his shares at their fair value and took full ownership of the company.

Guy and Steve were fortunate to have reached an amicable end to their business partnership and were even able to stay good friends afterwards. Unfortunately, this is not always the case.

While it's always better to start out how you mean to go on and seek expert legal advice to avoid risk and maximise your position, you can still do this should you find yourself in a position like Steve or Guy.

If you feel you could use some specialist advice, don't hesitate to contact the Commercial Team.

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Changes in Particulars

Please remember to let us know of any changes in:
• Physical address • E-mail address • Phone and/or fax numbers
• Shareholdings • Directorships • Trustees
Or anything else that may be relevant.

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